

# **PUBLIC DISCLOSURE**

(November 4, 1996)

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**ORRSTOWN BANK  
DSBB - 000003425850  
ORRSTOWN, PENNSYLVANIA**

**FEDERAL RESERVE BANK OF PHILADELPHIA  
PHILADELPHIA, PENNSYLVANIA**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Reserve Bank of Philadelphia concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

The Community Reinvestment ACT (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the financial institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Orrstown Bank** prepared by the **Federal Reserve Bank of Philadelphia**, as of **November 4, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE**

**INSTITUTION'S CRA RATING:** This institution is rate **OUTSTANDING.**

The rating is based primarily upon; (1) the institution's high level of loans in relation to deposits, (2) the majority of the institution's loans that are located within its assessment area, (3) the geographic distribution of loans that reflects a reasonable dispersion throughout the assessment area, and (4) a notable penetration of loans to borrowers of different income levels and businesses of different sizes.

The following table indicates the performance level of **ORRSTOWN BANK** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>ORRSTOWN BANK</u> PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and Business of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the previous examination.		

## **DESCRIPTION OF INSTITUTION**

Orrstown Bank is located in the south-central portion of Pennsylvania and is strategically positioned near several major markets of trade, industry, and governmental activities which includes the cities of Harrisburg (the state's capitol) Philadelphia, Baltimore, and Washington, D.C. The bank's headquarters is located in Franklin County, Pennsylvania and there are five branch banking offices within Franklin and Cumberland Counties. The bank also operates seven automatic teller machines (ATMs) throughout its market area and is a member of the money access center (MAC) ATM network.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **DESCRIPTION OF INSTITUTION (continued)**

The bank's service area consists of Cumberland County (exclusive of the far northeast portion) and northern Franklin County. Cumberland County is the only portion of the bank's service area included within a Metropolitan Statistical Area (MSA) and is part of the Harrisburg-Lebanon-Carlisle MSA (HLC-MSA). The largest urban areas within the bank's assessment area are the cities of Carlisle in Cumberland County and Chambersburg in Franklin County.

Orrstown Bank continues to emphasize the advantages of its community-oriented officers and staff, that have the ability to provide individualized, customer service to the residents and businesses within its service area and, as a result of these contacts, provide senior management with information and a perspective regarding local credit needs. The bank's marketing strategy is to promote its image as a "home town" bank. The bank's major competitors include Financial Trust, Dauphin Deposit Bank and Trust, PNC Bank, Mellon Bank, and Farmers and Merchants Trust Company.

Orrstown Bank offers a variety of conventional loan and deposit products. A review of its loan portfolio reflects a retail orientation and is indicative of management's efforts to respond to the credit needs within the primary service area. The Uniform Consolidated Report of Condition and Income as of 9/30/96, revealed total assets of \$154,808,000 of which \$107,295,000 (69%) were loans. An analysis of the loan portfolio composition revealed that loans secured by residential real estate were \$61,727,000 (57.5%) and personal loans were \$13,645,000 (12.7%), which collectively accounted for 70% of total loans. The balance of the portfolio was essentially comprised of commercial loans. It should be noted that not all of the loans classified as secured by residential real estate are necessarily consumer purpose loans. However, the majority of the bank credit extensions are for consumer purposes. Orrstown Bank continues to conservatively increase its asset-size. Assets increased by 6.7% during the period 9/30/95 to 9/30/96. The loan portfolio increased by 6.0% over the same period. Despite this modest loan growth, the bank continues to maintain a balance sheet composition with a high level of loans in relation to deposits. As of 9/30/96, the bank's loan- to- deposit ratio equaled 77.83 %.

Consistent with its retail nature and in response to identified credit needs, origination of 1-4 family residential mortgage loans continues to be a integral part of the bank's strategic business plan. According to its 1995 Home Mortgage Disclosure Act (HMDA) Statement, the bank originated 172 residential mortgage loans totaling \$10,866,000. A substantial majority of these loans were located within the bank's assessment area. Historically, the bank has retained all of its residential mortgage loans. However, in an effort to maintain desired asset/liability levels and address identified community credit needs, the bank entered into a arrangement to sell mortgage loans to the secondary market. During the period between examinations, approximately \$3.5 million in mortgage loans were sold. This arrangement has enabled the bank to offer a wider variety of competitively-priced residential mortgage products within its community. Additionally, the bank is able to offer mortgage products that are suited to the financial needs of first-time and low-to moderate-income applicants. In order to inform the community of its mortgage products and services, the bank maintains close relationships with local realtors. These relationships also provide bank management with information regarding local market conditions and current mortgage financing requirements.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **DESCRIPTION OF INSTITUTION (continued)**

The bank remains active in programs and initiatives which promote affordable housing and home ownership throughout its community. The following examples illustrate its commitment in this area:

- C The bank is a member of the Cumberland County Homebuyers Coalition (Coalition). The purpose of the Coalition is to promote home ownership throughout Cumberland County. The bank provides financial and technical assistance to the Coalition.
- C The bank's CRA Officer was recently selected to serve on the board of the Cumberland County Affordable Housing Trust Fund. The purpose of this entity is to assist in the funding of non-profit corporations and to assess the supply of affordable housing within the county.
- C A bank officer serves as the President of the Shippensburg Non-Profit Housing Corporation. Through this affiliation, bank management is provided with information regarding specific loan products or services that may be required to address unmet housing needs in the community.

In an effort to be responsive to an identified community credit needs, the bank introduced its own credit card product. Unlike some small community banks, Orrstown Bank maintains these loans in its portfolio. The credit cards have a competitive interest rate and provide customers with an accessibility to their credit card issuer in order to apply for credit line increases or to resolve account related issues. As of 9/30/96, the bank had approximately \$363,000 in credit card loans outstanding.

The bank continues to support the development and expansion of new or existing sole proprietorship and small businesses within its community by providing financing and related banking services. A review of the bank's credit extensions for the period between examinations, revealed a number of loans which have been extended to revitalize the community and stimulate employment growth. Credit was offered and extended to support non-profit organizations, provide working capital to small businesses, finance start-up businesses, and finance real estate development projects. The following examples illustrate the bank's willingness to provide financial and technical assistance to community development initiatives and small businesses:

- C In an effort to ensure the ongoing economic viability of the downtown area of Shippensburg, President and CEO Kenneth Shoemaker established the Main Street Non-Profit Redevelopment Corporation. The corporation purchased a vacant, deteriorating building in downtown Shippensburg. The building has been razed and a new, 57-room hotel is currently being constructed. Orrstown Bank will fund approximately \$1.3 million of this \$2.3 million project.
- C During the period between examinations, the bank originated \$135,000 in loans under the Small Business Administration's (SBA) Low Documentation Program. The bank also participated in the SBA 505 direct loan program. The bank provided approximately \$332,000 in financing under this program.
- C In an effort to address the cash-flow requirements of certain small- to medium-size businesses the bank recently established an accounts receivable financing program. As of 9/30/96, the bank had five accounts with approximately \$266,000 of accounts receivable financing outstanding.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **DESCRIPTION OF ORRSTOWN BANK'S ASSESSMENT AREA**

The bank's assessment area consists of Cumberland County (exclusive of the far northeast portion) and northern Franklin County. Cumberland County is the only portion of the bank's assessment area within a Metropolitan Statistical Area (MSA) and is part of the Harrisburg-Lebanon-Carlisle (HCL-MSA).

The bank's assessment area includes 32 census tracts, of which 5 or 15.6% are designated as moderate-income, 23 or 71.9% are designated as middle income, and 4 or 12.5% are designated upper-income, based upon 1990 U.S. census data. The bank's assessment area does not include any low-income census tracts. Of the five moderate-income census tracts in the bank's assessment area two are located in Carlisle, one in Newville, one in Shippensburg, and one in the borough of Chambersburg.

#### **Census Tracts**

	Number	Percent
Low-Income Census Tracts	0	0%
Moderate-Income Census Tracts	5	15.6%
Middle-Income Census Tracts	23	71.9%
Upper-Income Census Tracts	4	12.5%
TOTAL	32	100

Assessment Area Population:

	Number	Percent
Low-Income Census Tract Population	0	0%
Moderate-Income Census Tract Population	13,356	7.6%
Middle-Income Census Tract Populatio	140,726	80.5%
Upper-Income Census Tract Population	20,726	11.9%
Market Population	174,808	100%

As depicted, the population distribution within the bank's assessment area is primarily comprised of individuals residing in middle-income census tracts at 80.5%. The moderate-income census tracts contain the smallest portion of the assessment area population at 7.6%.

The assessment area consists of 47,596 families of which, 6,276 or 13.2% are low-income, 8,942 or 18.8% are designated moderate- income, 12,902 or 27.1% designated middle-income and 19,476 or 40.9% are upper-income. There are 2,252 families or 4.7% families in the assessment area below the poverty level. The majority of low- to moderate-income families reside in the cities of Carlisle, Shippensburg and Chambersburg.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **DESCRIPTION OF ORRSTOWN BANK'S ASSESSMENT AREA (continued)**

	Number	Percent
Low-Income Families	6,276	13.2%
Moderate-Income Families	8,942	18.8%
Middle-Income Families	12,902	27.1%
Upper-Income Families	19,476	40.9%
Total Families	47,596	100%

The HLC-MSA also includes Dauphin, Lebanon, and Perry Counties. Consequently, the demographic and economic data related to the HLC-MSA does not precisely parallel conditions in the bank's assessment area. However, the economic conditions of the HLC-MSA are generally consistent with those of the bank's assessment area.

The median family income for the bank's assessment area is \$35,747 which is greater than that of the State of Pennsylvania at \$34,856, but less than the HCL-MSA, at \$37,389. Sixty-eight percent of the housing units in the bank's assessment area are owner-occupied which is slightly higher than the HCL-MSA, at 64.1%. The median value of the housing units in the assessment area is \$75,730 which is significantly higher than the state of Pennsylvania at \$49,857, and similar to the median value of \$75,013 for the HCL-MSA.

The largest urban areas within the bank's assessment area are the cities of Carlisle in Cumberland County and Chambersburg in Franklin County. Diversified industry and farmland characterize the region's economy. A network of highways connects the area to the major urban centers of Washington, DC, Baltimore, and Philadelphia. According to information provided by the Federal Reserve Bank of Philadelphia's Department of Research and Statistics, the unemployment rate for the HCL-MSA as of August 1996, was 3.2% which was less than the 3.7% rate for the same month in 1995. Moreover, employment growth in the HCL-MSA has been steady during the period between 1990 and 1994 as the total number of full and part-time positions increased 5.1%.

One of the major employers in Cumberland and Franklin Counties is the private, service-producing industry. The service sector constitutes 38% and 45% of the employment in Cumberland and Franklin Counties, respectively. The largest private sector employer in Cumberland County is a health care organization, Pennsylvania Blue Shield, which has 7,036 employees. Other employers in the bank's assessment area, especially in Cumberland County, are the federal and state governments. Cumberland County has two military installations. The Carlisle Barracks and the Navy Inventory Control Point which employ 1,700 and 6,000 civilians respectively. Of the fifty top employers in Cumberland county, ten employers are government agencies. Similarly, the Letterkenny Army Depot is Franklin County's largest employer. Due to the concentration of government agencies, the county's unemployment rate is consistently the lowest in the state.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

#### **LOAN- TO- DEPOSIT RATIO**

A review of the bank's lending profile reflects a retail orientation and a responsiveness in meeting the credit needs within its service area. According to the Uniform Bank Performance Report (UBPR) as of 9/30/96, the bank's loan-to-deposit ratio equaled 77.83% (peer, 71.68%), while at 12/31/95, 12/31/94, and 12/31/93 the ratio equaled 79.65%, 84.27%, and 75.52%, respectively. Peer data refers to all insured commercial banks having assets between \$100 million and \$300 million with three or more banking offices, and located in a non-metropolitan area.

The following table depicts the bank's loan-to-deposit ratio and growth rates for a three-year period, and for the first nine months of 1996:

	9/30/96	12/31/95	12/31/94	12/31/93
<b>Loan- to- Deposit</b>	77.83%	79.65%	84.27%	75.52%
<b>Asset Growth</b>	6.65%	18.81%	8.29%	6.94%
<b>Net Loan Growth</b>	5.78%	13.15%	20.40%	6.56%

As can be seen from the chart, the bank's assets have increased for each of the three years and, during this period, the bank maintained a loan-to-deposit ratio consistently at, or above the 75% level.

The following table depicts the institution's quarterly loan- to-deposit ratios since the last examination and an overall, quarterly loan- to- deposit ratio average. The quarterly loan- to- deposit ratio average is derived by adding the quarterly loan-to-deposit ratios and dividing by the number of quarters since the last examination.

As Of	Net Loans	Deposits	Ratio
06/30/95	\$96,967,000	\$113,408,000	85.50%
09/30/95	\$99,942,000	\$127,677,000	78.28%
12/31/95	\$101,424,000	\$127,330,000	79.65%
03/31/96	\$102,350,000	\$131,223,000	77.99%
06/30/96	\$105,248,000	\$136,173,000	77.29%
09/30/96	\$105,722,000	\$135,844,000	77.83%
Quarterly Loan to Deposit Ratio Average Since Previous Examination			79.42%

Based upon the foregoing information, the loan-to-deposit ratio is more than reasonable given the institution's asset-size, competition, demographic and economic factors present in the assessment area, and the lending opportunities available within the assessment area.



## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)**

#### **LENDING IN ASSESSMENT AREA**

The following tables depict the volume of loans extended inside and outside of the bank's assessment areas. The analysis was based on a sample of installment loans, residential mortgage loans, and open-end consumer loans originated during the period January 1996 to September 1996.

<b>ASSESSMENT AREA PENETRATION BY PRODUCT TYPE NUMBER OF LOANS</b>								
	<b>INSTALLMENT LOANS</b>		<b>MORTGAGE LOANS</b>		<b>OPEN-END LOANS</b>		<b>TOTAL LOANS SAMPLED</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
<b>Inside</b>	117	81%	82	95%	81	89%	280	87%
<b>Outside</b>	18	13%	1	1%	1	1%	20	6%
<b>Unknown</b>	9	6%	3	4%	9	10%	21	7%
<b>Total</b>	144	100%	86	100%	91	100%	321	100%

<b>LOANS INSIDE AND OUTSIDE OF ASSESSMENT AREA</b>				
	<b>Number</b>	<b>Percent</b>	<b>Dollar</b>	<b>Percent</b>
<b>Inside</b>	280	87%	\$8,064,500	91%
<b>Outside</b>	20	6%	\$289,000	3%
<b>Unknown</b>	21	7%	\$470,775	6%
<b>Total Loans</b>	321	100%	\$8,824,275	100%

Based on the above analysis, it was determined that a substantial majority of the bank's loans and other lending related activities were conducted within its assessment area. Additionally, the overall lending profile of the bank with respect to the number and dollar amount of credit extensions within the assessment area was determined to exceed the standards for satisfactory performance.

#### **LENDING TO BORROWERS OF DIFFERENT INCOMES**

According to statistics from the 1990 U.S. Census, the median family income for the bank's assessment area is \$35,747. A family with an annual income of less than 80% of the median family income (\$28,598), is considered to be in the low-to moderate-income category.

Borrower incomes were categorized as follows:

##### Low Income

Less than 50% of the Assessment Area Income -  
**Less than \$17,874**

##### Moderate Income

50% to 80% of the Assessment Area Income -  
**Between \$17,874 and \$28,598**

##### Middle Income

80% to 120% of the Assessment Area Income -  
**Between \$28,598 and \$42,896**

##### Upper Income

Greater than 120% of the Assessment Area Income -  
**Greater than \$42,896**

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)**

#### **LENDING TO BORROWERS OF DIFFERENT INCOMES (continued)**

A sample of installment loans, mortgage loans, and open-end loans originated during the period January 1996 to September 1996 was reviewed to determine the bank's level of lending to borrowers of different income categories. The review disclosed the following distribution of credit:

<b>BORROWER INCOME DISTRIBUTION BY PRODUCT TYPE</b>								
	<b>INSTALLMENT LOANS</b>		<b>MORTGAGE LOANS</b>		<b>OPEN-END LOANS</b>		<b>TOTAL LOANS</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
<b>Low</b>	28	19%	4	5%	14	15%	46	15%
<b>Moderate</b>	40	28%	23	27%	25	28%	88	27%
<b>Middle</b>	28	20%	22	25%	17	19%	67	21%
<b>Upper</b>	39	27%	31	36%	24	26%	94	29%
<b>Unknown</b>	9	6%	6	7%	11	12%	26	8%
<b>TOTAL</b>	144	100%	86	100%	91	100%	321	100%

According to 1990 census data, 13% of the families located in bank's assessment area were categorized as low-income; 19% were categorized as moderate-income; 27% were categorized as middle income, and 41% were categorized as upper-income. The following chart compares the demographics of the assessment area with the institutions's distribution of loans to borrowers of different income levels.

<b>INCOME DISTRIBUTION COMPARATIVE ANALYSIS</b>		
	<b>Assessment Area Income Distribution</b>	<b>Borrower Income Distribution</b>
<b>Low</b>	13%	15%
<b>Moderate</b>	19%	27%
<b>Middle</b>	27%	21%
<b>Upper</b>	41%	29%
<b>Unknown</b>	0%	8%
<b>TOTAL</b>	100%	100%

If the low and moderate-income categories are aggregated, 42% of the loans sampled for this period, were extended to low-to moderate-income borrowers. This distribution compares favorably with the 32% of the families in the assessment area which are categorized as low-to moderate-income.

Based upon the demographic composition of the assessment area, the analysis revealed a reasonable penetration among individuals of different income levels, with a notable penetration to low-to moderate-income borrowers.

#### **LENDING TO BUSINESSES OF DIFFERENT SIZES**

A small business loan for the purposes of the CRA, is a loan that is included in the category "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. According to Schedule RC-C Part II (Loans to Small Businesses and Small Farms) of the bank's Consolidated Reports of Condition and Income as of June 30, 1996, the distribution of small business loans is detailed as follows:

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)**

#### **LENDING TO BUSINESSES OF DIFFERENT SIZES (continued)**

<b>Loans to Small Businesses</b>		
	<b>Amount Outstanding at 6/30/96</b>	<b>Percent</b>
Loans with original amounts of \$100,000 or Less	\$7,811,000	34%
Loans with original amounts of more than \$100,000 through \$250,000	\$7,191,000	31%
Loans with original amounts of more than \$250,000 through \$1,000,000	\$7,019,000	30%
<b>TOTAL "SMALL BUSINESS LOANS"</b>	<b>\$22,021,000</b>	<b>95%</b>
Loans with original amounts of Greater than \$1,000,000	\$1,228 ,000	5%
<b>Total Commercial Loans</b>	<b>\$23,249,000</b>	<b>100%</b>

The distribution of business loans was determined to be consistent with the institution's asset size and lending capacity.

Based upon the demographics of the assessment area, the distribution of business loans reflects an excellent penetration among businesses of different sizes.

#### **GEOGRAPHIC DISTRIBUTION OF LOANS**

A geographic distribution analysis of the bank's loans was conducted in an effort to determine the distribution of loans among geographies of different income levels, within the bank's assessment area.

The analysis included a sample of installment loans, mortgage loans, and open-end consumer loans originated during the period January 1996 to September 1996. The following tables depict the geographic distribution of the sample.

<b>GEOGRAPHIC DISTRIBUTION OF LOANS BY PRODUCT TYPE</b>								
	<b>INSTALLMENT LOANS</b>		<b>MORTGAGE LOANS</b>		<b>OPEN-END LOANS</b>		<b>TOTAL LOANS</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
<b>Low</b>	0	0%	0	0%	0	0%	0	0%
<b>Moderate</b>	12	10%	8	10%	8	10%	28	10%
<b>Middle</b>	92	79%	71	87%	72	89%	235	84%
<b>Upper</b>	13	11%	3	3%	1	1%	17	6%
<b>TOTAL</b>	117	100%	82	100%	81	100%	280	100%

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)**

#### **GEOGRAPHIC DISTRIBUTION OF LOANS (continued)**

<b>GEOGRAPHIC DISTRIBUTION OF LOANS WITHIN ASSESSMENT AREA</b>				
	<b>Number</b>	<b>Percent</b>	<b>Dollar</b>	<b>Percent</b>
<b>Low</b>	0	0%	\$0	0%
<b>Moderate</b>	28	10%	\$674,600	8.4%
<b>Middle</b>	235	84%	\$7,105,400	88.1%
<b>Upper</b>	17	6%	\$284,500	3.5%
<b>Total</b>	280	100%	\$8,064,500	100%

The assessment area of the bank contains no low-income census tracts however, as depicted, the credit extensions of the bank were reasonably dispersed, by category, within the moderate-income census tracts of the assessment area.

According to U.S. Census data, 7.6% of the assessment area's population reside in moderate-income census tracts, 80.5% middle-income census tracts, and 11.9% upper-income census tracts. The following table compares the demographics of assessment area with the distribution of loans, for the sample period, according to census tract designation.

	<b><u>Assessment Area Demographics</u></b>	<b><u>Geographic Distribution of Total Loans</u></b>
<b>Low</b>	0%	0%
<b>Moderate</b>	7.6%	10%
<b>Middle</b>	80.5%	84%
<b>Upper</b>	11.9%	6%
<b>Total</b>	100%	100%

In summary, the analysis revealed that the geographic distribution of loans reflected a reasonable dispersion throughout the institution's assessment area, including low- to moderate-income neighborhoods.

### **COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

A review of the bank's credit policies revealed no evidence of prohibited discriminatory practices such as prescreening or discouraging applicants. The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including: the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act and other agency regulations pertaining to nondiscriminatory treatment of credit applicants.

The institution solicits credit applications from all segments of its community, including low- and moderate-income neighborhoods. Management has established consumer and commercial loan policies that evidence its commitment to evaluate and offer credit requests without regard to any prohibited basis. Additionally, the bank is not currently engaged in any litigation related to credit statutes.